



TEXAS NATIONAL BANK

15309
RECORDATION #10 FILED 1423

APR 25 1989 -2 35 PM

INTERSTATE COMMERCE COMMISSION

April 7, 1989

Date _____
Fee \$ _____
ICC Washington

Ms. Mildred Lee
Interstate Commerce Commission
12th & Constitution Ave., Northwest
Room 2303
Washington D.C., 20429

Dear Ms. Lee:

I have enclosed two copies of the Security Agreement, an original copy and true and correct copy of the original for filing. I have also enclosed a check in the amount of \$13.00 for the filing fee requested.

If you should have any questions concerning I.T.G., Inc. please feel free to call.

Sincerely,

Tracy L. Loos
Asst to the
President

tll

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

4.26.89

OFFICE OF THE SECRETARY

Tracy L. Loos
Asst. to The President
Texas National Bank
P.O. Box 4969
Victoria Texas 77903

Dear: **Ms. Loos:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **4.25.89**, at **2:35pm**, and assigned recordation number(s). **16309**

Sincerely yours,



Noreta R. McGee
Secretary

Enclosure(s)

RECORDATION NO **16309** FILED 1425

SECURITY AGREEMENT

APR 25 1989 -2 35 PM

INTERSTATE COMMERCE COMMISSION

Date: March 14, 1989

Debtor: I. T. G., Inc.

Debtor's Mailing Address: P O Box 1777, Victoria, TX 77902

Security Party: Texas National Bank

Secured Party's Mailing Address: P O Box 4969, Victoria Texas 77903

Classification of Collateral: Equipment, Inventory, Chattel Paper, Accounts

Collateral (including all accessions): Railcars described in Exhibit A attached hereto and made a part hereof, along with any proceeds thereof, including specifically, but not limited to, the leases described in Exhibit B attached hereto and made a part hereof

**Obligation
Note**

Date: even date herewith

Amount: \$384,375.00

Payee: Texas National Bank

Maker: I. T. G., Inc.

Final Maturity Date: one year from date

Subject to the terms of this agreement, Debtor grants to Secured Party a security interest in the collateral and all its proceeds to secure payment and performance of Debtor's obligation in this security agreement and all renewals and extensions of any of the obligation.

Debtor's Warranties

1. Financing Statement. Except for that in favor of Secured Party, no financing statement covering the collateral is filed in any public office.

2. Ownership. Debtor owns the collateral and has the authority to grant this security interest. Ownership is free from any set off, claim, restriction, lien, security interest, or encumbrance except this security interest and liens for taxes not yet due.

3. Fixtures and Accessions. None of the collateral is affixed to real estate, is an accession to any goods, is commingled with other goods, or will become a fixture, accession, or part of a product or mass with other goods except as expressly

provided in this agreement.

4. Financial Statements. All information about Debtor's financial condition provided to Secured Party was accurate when submitted, as will be any information subsequently provided.

Debtor's Covenants

1. Protection of Collateral. Debtor will defend the collateral against all claims and demands adverse to Secured Party's interest in it and will keep it free from all liens except those for taxes not yet due and from all security interests except this one. The collateral will remain in Debtor's possession or control at all times, except as otherwise provided in this agreement. Debtor will maintain the collateral in good condition and protect it against misuse, abuse, waste, and deterioration except for ordinary wear and tear resulting from its intended use.

2. Insurance. Debtor will insure the collateral in accord with Secured Party's reasonable requirements regarding choice of carrier, casualties insured against, and amount of coverage. Policies will be written in favor of Debtor and Secured Party according to their respective interests or according to Secured Party's other requirements. All policies will provide that Secured Party will receive at least ten days' notice before cancellation, and the policies or certificates evidencing them will be provided to Secured Party when issued. Debtor assumes all risk of loss and damage to the collateral to the extent of any deficiency in insurance coverage. Debtor irrevocably appoints Secured Party as attorney-in-fact to collect any return, unearned premiums, and proceeds of any insurance on the collateral and to endorse any draft or check deriving from the policies and made payable to Debtor.

3. Secured Party's Costs. Debtor will pay all expenses incurred by Secured Party in obtaining, preserving, perfecting, defending, and enforcing this security interest or the collateral and in collecting or enforcing the note. Expenses for which Debtor is liable include, but are not limited to, taxes, assessments, reasonable attorney's fees, and other legal expenses. These expenses will bear interest from the dates of payments at the highest rate stated in notes that are part of the obligation, and Debtor will pay Secured Party this interest on demand at a time and place reasonably specified by Secured Party. These expenses and interest will be part of the obligation and will be recoverable as such in all respects.

4. Additional Documents. Debtor will sign any papers that Secured Party considers necessary to obtain, maintain and perfect this security interest or to comply with any relevant law.

5. Notice of Changes. Debtor will immediately notify Secured Party of any material change in the collateral; change in Debtor's name, address or location; change in any matter warranted or represented in this agreement; change that may affect this security interest; and any event of default.

6. Use and Removal of Collateral. Debtor will use the collateral primarily according to the stated classification

unless Secured Party consents otherwise in writing. Debtor will not permit the collateral to be affixed to any real estate, to become an accession to any goods, to be commingled with other goods, or to become a fixture, accession, or part of a product or mass with other goods, except as expressly provided in this agreement.

7. Sale. Debtor will not sell, transfer, or encumber any of the collateral without the prior written consent of Secured Party.

Rights and Remedies of Secured Party

1. Generally. Secured Party may exercise the following rights and remedies either before or after default:

- a. take control of any proceeds of the collateral;
- b. release any collateral in Secured Party's possession to any debtor, temporarily or otherwise;
- c. take control of any funds generated by the collateral, such as refunds from and proceeds of insurance, and reduce any part of the obligation accordingly or permit Debtor to use such funds to repair or replace damaged or destroyed collateral covered by insurance; and
- d. demand, collect, convert, redeem, settle compromise, receipt for, realize on, adjust, sue for, and foreclose on the collateral either in Secured Party's or Debtor's name, as Secured Party desires.

2. Insurance. If Debtor fails to maintain insurance as required by this agreement or otherwise by Secured Party, then that will protect only Secured Party. If Secured Party purchases insurance, Secured Party may purchase single-interest Insurance Coverage. If this insurance, its premiums will become part of the obligation.

Events of Default

Each of the following conditions is an event of default:

1. if Debtor defaults in timely payment or performance of any obligation, covenant, or liability in any written agreement between Debtor and Secured Party or in any other transaction secured by this agreement;

2. if any warranty, covenant, or representation made to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made;

3. if a receiver is appointed for Debtor or any of the collateral;

4. if the collateral is assigned for the benefit of creditors or, to the extent permitted by law, if bankruptcy or insolvency proceedings commence against or by any of these parties: Debtor; any partnership of which Debtor is a general partner; and any maker, drawer, acceptor, endorser, guarantor, surety, accommodation party, or other person liable on or for any part of the obligation;

5. if any financing statement regarding the collateral but not related to this security interest and not favoring Secured Party is filed;

6. if any lien attaches to any of the collateral;
7. if any of the collateral is lost, stolen, damaged, or destroyed, unless it is promptly replaced with collateral of like quality or restored to its former condition.

Remedies of Secured Party on Default

During the existence of any event of default, Secured Party may declare the unpaid principal and earned interest of the obligation immediately due in whole or in part, enforce the obligation, and exercise any rights and remedies granted by the Texas Uniform Commercial Code or by this agreement, including the following:

1. require Debtor to deliver to Secured Party all books and records relating to the collateral;
2. require Debtor to assemble the collateral and make it available to Secured Party at a place reasonably convenient to both parties;
3. take possession of any of the collateral and for this purpose enter any premises where it is located if this can be done without breach of the peace;
4. sell, lease or otherwise dispose of any of the collateral in accord with the rights, remedies, and duties of a secured party under chapters 2 and 9 of the Texas Uniform Commercial Code after giving notice as required by those chapters; unless the collateral threatens to decline speedily in value, is perishable, or would typically be sold on a recognized market, Secured Party will give Debtor reasonable notice of any public sale of the collateral or of a time after which it may be otherwise disposed of without further notice to Debtor; in this event, notice will be deemed reasonable if it is mailed, postage prepaid, to Debtor at the address specified in this agreement at least ten days before any public sale or ten days before the time when the collateral may be otherwise disposed of without further notice to Debtor;
5. surrender any insurance policies covering the collateral and receive the unearned premium;
6. apply any proceeds from disposition of the collateral after default in the manner specified in chapter 9 of the Texas Uniform Commercial Code, including payment of Secured Party's reasonable attorney's fees and court expenses; and
7. if disposition of the collateral leaves the obligation unsatisfied, collect the deficiency from Debtor.

General Provisions

1. **Parties Bound.** Secured Party's rights under this agreement shall inure to the benefit of its successors and assigns. Assignment of any part of the obligation and delivery by Secured Party of any part of the collateral will fully discharge Secured Party from responsibility for that part of the collateral. If Debtor is more than one, all their representations, warranties, and agreements are joint and several. Debtor's obligations under this agreement shall bind

Debtor's personal representatives, successors and assigns.

2. Waiver. Neither delay in exercise nor partial exercise of any of Secured Party's remedies or rights shall waive further exercise of those remedies or rights. Secured Party's failure to exercise remedies or rights does not waive subsequent exercise of those remedies or rights. Secured Party's waiver of any default does not waive further default. Secured Party's waiver of any right in this agreement or of any default is binding only if it is in writing. Secured party may remedy any default without waiving it.

3. Reimbursement. If Debtor fails to perform any of Debtor's obligations, Secured Party may perform those obligations and be reimbursed by Debtor on demand at the place where the note is payable for any sums so paid, including attorney's fees and other legal expenses, plus interest on those sums from the dates of payment at the rate stated in the note for matured, unpaid amounts. The sum to be reimbursed shall be secure by this security agreement.

4. Interest Rate. Interest included in the obligation shall not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law; any interest in excess of that maximum amount shall be credited to the principal of the obligation or, if that has been paid, refunded. On any acceleration or required or permitted prepayment of the obligation, any such excess shall be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal amount of the obligation or, if the principal amount has been paid, refunded. This provision overrides other provisions in this and all other instruments concerning the obligation.

5. Modifications. No provisions of this agreement shall be modified or limited except by written agreement.

6. Severability. The unenforceability of any provision of this agreement will not affect the enforceability or validity of any other provision.

7. After-Acquired Consumer Goods. This security interest shall attach to after-acquired consumer goods only to the extent permitted by law.

8. Applicable Law. This agreement will be construed according to Texas Laws.

9. Place of Performance. This agreement is to be performed in the county of Security Party's mailing address.

10. Financing Statement. A carbon, photographic, or other reproduction of this agreement or any financing statement covering the collateral is sufficient as a financing statement.

11. Presumption of truth and Validity. If the collateral is sold after default, recital in the bill of sale or transfer will be prima facie evidence of their truth, and all prerequisites to the sale specified by this agreement and by the Texas Uniform Commercial Code will be presumed satisfied.

12. Singular and Plural. When the context requires, singular nouns and pronouns include the plural.

13. Priority of Security Interest. This security interest shall neither affect nor be affected by any other security for

any of the obligation. Neither extensions of any of the obligation nor releases of any of the collateral will affect the priority or validity of this security interest with reference to any third person.

14. Cumulative Remedies. Foreclosure of this security interest by suit does not limit Secured Party's remedies, including the right to sell the collateral under the terms of this agreement. All remedies of Secured Party may be exercised at the same or different times, and no remedy shall be a defense to any other. Secured Party's rights and remedies include all those granted by law or otherwise, in addition to those specified in this agreement.

15. Agency. Debtor's appointment of Secured Party as Debtor's agent is coupled with an interest and will survive any disability of Debtor.

16. Attachments Incorporated. The addendum indicated below is attached to this agreement and incorporated into it for all purposes:

(X) addendum relating to lease proceeds

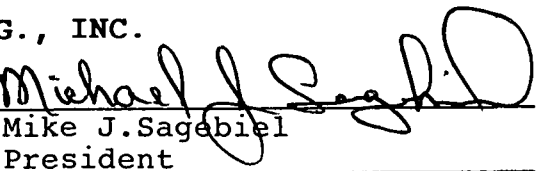
SECURED PARTY:

TEXAS NATIONAL BANK

By: 
Sally Aman
Its: Lending Officer

DEBTOR:

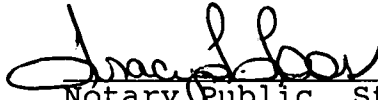
I. T. G., INC.

By: 
Mike J. Sagebiel
Its: President

(Corporate Acknowledgment)

STATE OF TEXAS *
 *
COUNTY OF VICTORIA *

This instrument was acknowledged before me on the 14th day of March, 1989, by Sally Aman, Lending Officer of Texas National Bank, a banking association, on behalf of said association.



Notary Public, State of Texas

My Commission Expires: 4/26/91

TRACY L. LOOS, Notary Public

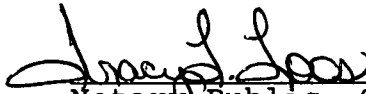
in and for State of Texas

(Typed or Printed Name) My commission expires 4-26-91

(Corporate Acknowledgment)

STATE OF TEXAS *
 *
COUNTY OF VICTORIA *

This instrument was acknowledged before me on the 14th day of March, 1989, by Mike J. Sagebiel, President of I. T. G., Inc., a Texas corporation, on behalf of said corporation.



Notary Public, State of Texas

My Commission Expires: 4/26/91

TRACY L. LOOS, Notary Public

in and for State of Texas

(Typed or Printed Name) My commission expires 4-26-91

I, Tracy L. Loos cetify that this document is a true and correct duplicate copy of the original.



Tracy L. Loos

Notary Public,

State of Texas 4/26/91

ADDENDUM TO SECURITY AGREEMENT

Date: March 14, 1989

Debtor: I. T. G., Inc. a Texas Corporation

Secured Party: Texas National Bank

Date of Security Agreement: Even date herewith

The collateral includes, but is not limited to, lease proceeds; this addendum covering that collateral applies to and is incorporated into the security agreement to which it is attached.

Debtor assigns to Secured Party absolutely, not only as collateral, all present and future rental, lease and other income and receipts from the railcars described in Exhibit A to the Security Agreement, specifically including but not limited to, the income from leases to Northeast Illinois Railroad ("Metra") and Iowa Interstate Railroad. With respect to the Iowa Interstate Railroad cars, all proceeds shall be paid directly to Secured Party and credited to the note balance. All rental checks by the Lessee shall be made payable jointly to Debtor and Secured Party and Debtor shall endorse all checks over to Secured Party. With respect to the Metra leases, the rental checks from the Lessee shall be made payable jointly to Debtor and Secured Party and Debtor shall endorse all checks over to Secured Party, provided that out of the proceeds from the Metra lease, Secured Party shall retain only the sum of \$12,500.00 per month and shall, immediately upon receipt, pay over the excess to Debtor. All sums retained shall be held by Secured Party in an interest bearing account throughout the term of the note hereby secured, provided that Secured Party may, immediately upon default in any payment due by Debtor, whether prior to or at maturity, and without notice to Debtor, apply said amounts necessary to cure any default. It is agreed, however, that when said account reaches the sum of \$50,000.00 that Secured Party upon receipt of Metra Lease payments will endorse said payments and deliver them to Debtor, so long as Debtor is not in default of any of the terms of the Security Agreement dated the 14TH day of March, 1989, and said account retains a minimum balance of \$50,000.00. In the event of either a default under the terms of the Security Agreement dated the 14TH day of March, 1989, or a minimum balance less than \$50,000.00 in the account, then Secured Party may apply the proceeds of payments as above stated.

If Debtor defaults in the payment of the note hereby secured or performance of any obligations under any documents securing said note, Secured Party may rent the railcars, if necessary, and collect all rent and other income and receipts directly and without any checks being made payable jointly to Debtor and Secured Party. Secured Party neither has nor assumes any obligation as Lessor with respect to any lessee of the railcars.

Secured Party may exercise its rights and remedies under this addendum without taking possession of the railcars. In the event of a default by Debtor, Secured Party shall apply all rents and other income and receipts collected under this addendum first to expenses incurred in exercising Secured Party's rights and remedies and then to Secured Party's obligations under the note and instruments securing same in the order determined by Secured Party. If Debtor becomes a voluntary or involuntary bankrupt, Secured Party's filing a proof of claim in bankruptcy will be tantamount to the appointment of a receiver under Texas Law.

Secured Party has no obligation to collect any amount due from any lessee and will not be liable for failure to collect any such amount or for any act or omission on the part of Secured Party or Secured Party's officers, agents, or employees, except willful misconduct.

SECURED PARTY:

TEXAS NATIONAL BANK

By: 

Sally Aman

Its: Lending Officer

DEBTOR:

I. T. G., INC.

By: 

Michael J. Sagebiel

Its: President

EXHIBIT "A"

25 Each 1988-Rebuilt 100-Ton Covered Equipped Gondolas

Car Numbers: IAIS 6000 through 6024

(1)

6 Each 70-Ton Flat Cars with Wood Decks

Car Numbers: ITGX 1000 through 1005

(2)

50 Each 70-Ton Ballast Cars

Car Numbers: ITGX 7000, 7001, 7002, 7003, 7004, 7005, 7007, 7008
7009, 7010, 7019, 7020, 7022, 7026, 7030, 7031, 7032, 7033, 7035, 7036
7037, 7038, 7039, 7040, 7041, 7042, 7043, 7044, 7046, 7047, 7048, 7050
7051, 7053, 7054, 7055, 7056, 7057, 7061, 7072, 7073, 7074, 7075, 7076
7077, 7078, 7079, 7080, 7081, 7082

(3)

6 Each 70-Ton 40 Cubic Yard Difco Air Dumps

Car Numbers: ITGX 505 through 510

(4)

2 Each 100-Ton All Steel Gondolas

Car Numbers: ITGX 6000 & 6001

(5)

RAILROAD CAR LEASE AGREEMENT

THIS AGREEMENT, No. ITG-2343, made and entered into February 9, 1989, by and between ITG, INC., a Texas corporation with its principal office and place of business in Victoria, Texas (herein called "LESSOR") and NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION, an Illinois corporation, (herein called "LESSEE").

WITNESSETH:

Description of Leased Cars: 1. LESSOR agrees to furnish to LESSEE, and LESSEE agrees to rent from LESSOR, the railroad cars shown on the Rider attached hereto and made a part of hereof, and such additional Riders as may be added to hereto from time to time by agreement of the parties and signed by their duly authorized representatives. Each Rider shall set forth a brief description of the car, or cars, car initials and numbers, the Association of American Railroads ("AAR") or Interstate Commerce Commission ("ICC") specifications, cubic capacity, truck capacity, delivery point, rental, term throughout which the cars shall remain in LESSEE'S service, and other pertinent information that may be desired by both parties.

Use of Cars: 2. LESSEE agrees to use said cars under the following restrictions:

(a) The cars will be received by LESSEE at Blue Island, IL, and used and operated at

all times in compliance with all lawful acts, rules, regulations and orders issued by the railroads on which the cars are operated, and government agencies.

(b) At the expiration or termination of the rental term of the particular Rider applicable to each such car described in such Rider, LESSEE shall cause said cars to be returned to LESSOR at Victoria, Texas, or to such other point designated by LESSOR, provided that freight costs do not exceed the freight charge to Victoria, Texas. LESSOR to pay all freight charges accordingly.

(c) LESSEE may inspect subject cars and notify LESSOR of any defects requiring repairs before LESSEE'S acceptance. The cars shall be returned to LESSOR in the same, or as good, condition in which they were delivered to LESSEE, except for ordinary wear and tear. Any dispute on car condition will be resolved through binding arbitration, with arbitrator to be qualified railroad car inspector mutually agreeable to both parties. In the event of dispute on any other clauses or provisions of this contract, such dispute shall be subject to arbitration under ARTICLE 224, REVISED CIVIL STATUTES OF TEXAS, 1925, as

amended. The costs of any arbitrator shall be equally borne by LESSOR and LESSEE.

(d) The cars will not be altered by LESSEE in any way without prior written approval of LESSOR.

(e) The cars are intended for use in carrying bulk type products. The use of these cars for any other purpose is not permitted without prior written approval of LESSOR.

(f) The cars will be operated only within the United States of America.

Rent:

3. LESSEE agrees to pay LESSOR the monthly rental stated in the Rider covering said cars from the date of this agreement as specified in the Rider, and until the cars are delivered to LESSOR upon expiration of the rental term specified in the Rider applicable to each car. Such rentals shall be paid to LESSOR in Victoria, Texas, or such other place as LESSOR may hereafter direct in writing.

Rentals are payable within 30 days from the date of invoice.

Mileage:

4. Any mileage earnings paid by the Railroad on these cars shall accrue to LESSOR.

Term of

Lease:

5. This Agreement shall be effective as of April 1, 1989, and shall expire

November 30, 1989, or upon return of the last car or cars covered hereunder, to LESSOR, whichever is later. The rental term for each car shall be shown in the Rider covering such car. Unless this contract is extended or renewed in writing by mutual agreement, or a new contract is executed, each car not returned to LESSOR within fifteen (15) days next following the expiration date shown on the Rider covering such car or cars, LESSEE shall pay to LESSOR a penalty charge of TEN AND NO/100 DOLLARS, (\$10.00), per day in addition to the monthly rental.

Repair and

6. LESSEE agrees to pay all costs of maintenance and repair to the cars described in the Rider, to include the costs of damages while in the possession of LESSEE, shipper upon return to LESSOR, consignee, or agent. Costs for these damages shall be paid by LESSEE. Contractual arrangements for any major repairs such as COT&S and wheel defects shall be the LESSOR's responsibility. Arrangements for all minor repairs will be the LESSEE's responsibility. LESSEE shall notify LESSOR within three (3) full business days following knowledge of any damage to any of the cars. If any car, while under the control of the LESSEE, is completely destroyed or, in the opinion of LESSOR and LESSEE, such car's physical condition is such that it cannot be economically repaired to be operated in railroad service, LESSOR will file the required documentation with the handling carrier and be responsible for directly acquiring the settlement value of that car(s).

The term "settlement value" as used herein shall mean the valuation of such cars as provided for by Rule 107, as presently promulgated or hereafter amended of the Interchange Rules of the AAR. If any of the cars shall be completely destroyed, or if the physical condition of any car shall become such that such car cannot economically be repaired to be operated in railroad service as determined by LESSOR and LESSEE, then LESSOR at its option may cancel the lease as to such car as of the date on which such event occurred, or may substitute an equivalent car within a reasonable period of time. In the event of such substitution, the substituted car shall be held pursuant to all terms and conditions of this Agreement.

Indemnity:

7. LESSEE will indemnify LESSOR against any loss, damage, claim, expense (including attorney's fees and expenses of litigation) or injury imposed on, incurred by, or asserted against LESSOR arising, directly out of LESSEE'S, its consignee's agents, or shipper's use, lease, possession or operation of the cars during the term of the Lease, or by the contents of such cars, however occurring, except any loss, liability, claim, damage or expense for which a railroad or railroads have assumed full responsibility and satisfy such responsibility. All indemnities contained in the Agreement shall survive the termination hereof, however same shall occur. Nothing herein shall be construed as

an indemnification against LESSOR'S negligence.

Insurance:

8. LESSEE shall, at its own cost and expense, at all times, maintain and furnish LESSOR with evidence of insurance against all risks assumed by LESSEE, with respect to each car, under paragraph 7, hereof (including, without limitation, physical damage insurance and liability insurance) protecting LESSOR, in such companies, in such amounts, and with such endorsements as LESSOR shall from time to time request. The physical damage will be insured in the value of AAR Rule 107 settlement value. LESSEE'S obligation to maintain insurance with respect to each car shall continue until the lease thereof is terminated and, if such car is required hereunder to be returned to LESSOR, until such return. LESSEE shall cooperate with LESSOR and all companies providing any insurance to LESSEE or LESSOR or both with respect to the cars.

Additional
Charges by
Railroad:

9. If the operation or movements of any of the cars the term hereof shall result in any freight or demurrage charges being made against LESSOR by such railroad, LESSEE shall pay LESSOR for any such charges within the period prescribed. This paragraph excludes freight cost payable by the LESSEE or LESSOR in paragraph 2.

Right of
Entry:

10. LESSOR shall have the right to enter the property of LESSEE, at LESSOR'S own cost, and at all

reasonable times for the purpose of making car inspections and repairs.

Payment of

Taxes:

11. During the term of the Agreement, LESSEE shall pay all sales, use, rental, and excise taxes, personal property taxes, assessment and other governmental charges, whatsoever, whether payable by LESSOR or LESSEE, on or relating to the cars leased hereunder prorated to the actual time covered by this lease or extensions thereof. Any expense incurred by the LESSEE with respect to contesting the applicability of such sales tax, rental tax and use tax to this Agreement shall be payable by LESSEE.

Liens:

12. LESSEE shall not cause any encumbrances or liens to be a cloud upon, or otherwise affect LESSOR'S title.

Marking

of Cars:

13. LESSEE shall keep all cars subject to this Lease free of any markings which might be interpreted as a claim of ownership.

Remedies:

14. Upon the happening of any of the events of default as hereinafter defined, the LESSOR or its assignee may then, or at any time thereafter, take possession of the cars and any accessions thereto, wherever same may be found, and, at the election of the LESSOR or its assignee, as the case may be, declare the Agreement terminated, in which event all rights of the parties hereunder shall cease, except only the

obligation of LESSEE to pay accrued rentals and other charges whether accruing prior to or after the date of retaking.

Default:

15. The happening of any of the following events shall be considered an "event of default":

(a) Nonpayment by LESSEE, within thirty (30) days after the same becomes due, of any installment of rental.

(b) Failure of LESSEE to comply with, or perform, any of the other terms and conditions of this Agreement within thirty (30) days after receipt of written notice from LESSOR demanding compliance therewith and performance thereof. (c) The appointment of a receiver of trustee in bankruptcy for LESSEE or any of its property and the failure by such receiver or trustee to adopt and assume and agree to perform the obligations of LESSEE hereunder within thirty (30) days after such appointment.

Filing:

16. LESSOR intends to cause this Lease to be filed and recorded with the ICC in accordance with Section 20 (c) of the Interstate Commerce Commission Act. LESSEE shall from time to time do and perform any other act, and execute, acknowledge, deliver, file, register, and record any and all further instruments required by law, or requested by LESSOR, for the purpose of protecting its title and rights, or for the purpose of carrying out the intention of this

Agreement, and LESSEE will promptly furnish to LESSOR certificates or other evidences of all such filing, registering, and recording in form satisfactory to LESSOR.

Inspection
of Cars:

17. Each of the cars are subject to inspection of the LESSEE before delivery; and the acceptance thereof by LESSEE shall be conclusive evidence (i) of the fit and suitable condition of such car for the purpose of transporting any commodities then and thereafter loaded therein, and (ii) that it is one of the cars described in the Rider(s). If latent or hidden structural or mechanical defects are noticed within the first sixty (60) days of LESSEE'S operation of cars, which prohibit their intended service, LESSEE shall notify the LESSOR in writing and make the cars available for repair or by mutual consent, cancel those cars from this Lease. LESSOR retains the right to replace acceptable cars for any car cancelled under this provision.

At termination of Lease, a joint inspection will be made; and acceptance thereof by the LESSOR shall be conclusive evidence (i) of the fit and suitable condition of such car for the purpose of transporting any commodities then and thereafter loaded therein, and (ii) that it is one of the cars described in the Rider(s).

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed and sealed by their respective corporate officers and duly attested, as to the date first above written.

(Corporate Seal)

I T G, INC. (LESSOR)

ATTEST:

By: Connie S. Pedraza
Its: Secretary

By: Michael S. Szymanski
Its: President

ADDRESS:
106 N. Main, Suite 200
P. O. Box 1777
Victoria, Texas 77902

(Corporate Seal)

ATTEST:

By: Maureen McChesney
Its: Secretary

NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION

By: J. E. Cole
Its:

ADDRESS:
547 W. Jackson Blvd.
Chicago, Illinois 60606

RIDER NO. 01

To Master Agreement No. ITG-2343

It is hereby agreed that effective April 1, 1989, this Rider shall become a part of Master Car Agreement No. ITG-2343, between NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION and ITG, INC., dated April 1, 1989, and the cars described herein shall be placed in service subject to the terms set forth below:

CAR INITIAL NUMBERS: 7000 - 7082 Series
CAR OWNER MARKS: ITGX
CLASS OF CAR: MWB
NUMBER OF CARS: Fifty (50)
CAPACITY OF CARS: 70-Ton
COMMODITY LIMITATION: Free Flowing Bulk
TERMS OF RENT: \$475.00 per car per month payable net 30 days as provided for in Paragraphs 3 and 4 of Lease ITG-2343.
SETTLEMENT VALUE: \$35,000.00 Per Car

CAR INITIAL NUMBERS: 505 Through 510
CAR OWNER MARKS: ITGX
CLASS OF CAR: MWD
NUMBER OF CARS: Six (6)
CAPACITY OF CARS: 70-Ton
COMMODITY LIMITATION: Bulk Commodities
TERMS OF RENT: \$1,200.00 per car per month payable net 30 days as provided for in Paragraphs 3 and 4 of Lease ITG-2343.
SETTLEMENT VALUE: \$42,000.00 Per Car

D. J. L. 57.5

RIDER NO. 01, Continued

CAR INITIAL NUMBERS: 1000 Through 1005
CAR OWNER MARKS: ITGX
CLASS OF CAR: MWF
NUMBER OF CARS: Six (6)
CAPACITY OF CARS: 70-Ton
COMMODITY LIMITATION: Wood, Steel, and Bulk Commodities
TERMS OF RENT: \$450.00 per car per month payable net
30 days as provided for in Paragraphs
3 and 4 of Lease ITG-2343.
SETTLEMENT VALUE: \$25,000.00 Per Car

CAR INITIAL NUMBERS: 6000 - 6001
CAR OWNER MARKS: ITGX
CLASS OF CAR: G.B.
NUMBER OF CARS: Two (2)
CAPACITY OF CARS: 100-Ton
COMMODITY LIMITATION: General Gondola Commodities
TERMS OF RENT: \$500.00 per car per month payable net
30 days as provided for in Paragraphs
3 and 4 of Lease ITG-2343.
SETTLEMENT VALUE: \$32,000.00 Per Car

DELIVERY POINT: Blue Island, Illinois
TERM: April 1, 1989 through November 30,
1989.

RIDER NO. 01, Continued

(Corporate Seal)

I T G, INC.

ATTEST:

By: Conrad J. Pedraza
Its: Secretary

By: Michael S. Sogard
Its: President

(Corporate Seal)

NORTHEAST ILLINOIS REGIONAL COMMUTER
RAILROAD CORPORATION

ATTEST:

By: Maureen M. Chubb
Its:

By: J. E. Cole
Its:

RAILROAD CAR LEASE AGREEMENT

THIS AGREEMENT, No. ITC-1672, made and entered into November 1, 1988, by and between ITG, INC., a Texas corporation with its principal office and place of business in Victoria, Texas, (herein called "LESSOR") and IOWA INTERSTATE RAILROAD COMPANY, a Delaware corporation, (herein called "LESSEE").

WITNESSETH:

Description of Leased Cars: 1. LESSOR agrees to furnish to LESSEE, and LESSEE agrees to rent from LESSOR, the railroad cars shown on the Rider attached hereto and made a part of hereof, and such additional Riders as may be added to hereto from time to time by agreement of the parties and signed by their duly authorized representatives. Each Rider shall set forth a brief description of the car, or cars, car initials and numbers, the Association of American Railroads ("AAR") or Interstate Commerce Commission ("ICC") specifications, cubic capacity, truck capacity, delivery point, rental, term throughout which the cars shall remain in LESSEE'S service, and other pertinent information that may be desired by both parties.

Use of Cars: 2. LESSEE agrees to use said cars under the following restrictions:

(a) The cars will be received by LESSEE in Laurinburg, North Carolina on the Laurinburg and Southern Railroad, and used and operated at all times in

compliance with all lawful acts, rules, regulations, and orders issued by the railroads on which the cars are operated, and government agencies.

(b) At the expiration or termination of the rental term of the particular Rider applicable to each such car described in such Rider, LESSEE shall cause said cars to be returned to LESSOR at a point designated by LESSOR, provided that freight mileage does not exceed the freight mileage from point of origin, being Laurinburg, North Carolina. LESSEE to pay all freight charges accordingly.

(c) In the event that ITG, INC. does not have a successive Lessee immediately available for the cars of this lease, IOWA INTERSTATE RAILROAD COMPANY agrees to provide ITG, INC. with six (6) months free storage of the cars covered herein.

(d) The cars will not be altered by LESSEE in any way without prior written approval of LESSOR.

(e) The cars are intended for use in carrying new steel products. The use of these cars for any other purpose

is not permitted without prior written approval of LESSOR.

Inspection:

3. Each of the cars will be subject to a joint inspection prior to both the delivery and return dates. The inspections will be conducted at a site mutually agreeable to both parties. The condition of each car will be noted on a separate Inspection Form, a blank copy of which is attached as Exhibit B. LESSOR shall deliver all cars in good operating condition, free of all mechanical defects and suitable for transportation of intended commodities. The LESSEE shall be solely responsible to return all cars in the same conditions as received, excepting reasonable wear and tear; and, at time of return, each car shall be in a condition suitable for immediate placement in revenue interchange service. If a car is in need of repair prior to delivery or return, a mutually agreeable repair schedule shall be developed, and a separate joint inspection made by LESSOR and LESSEE will be held, at the repair facility, after repairs have been made, which inspection shall be in lieu of any other inspection required hereby. Failure for whatever reason to conduct such inspection or deliver such inspection form in connection with the return of any car shall not relieve LESSEE of its obligation to return such car at the end of the Lease Term or otherwise in the condition required hereby.

Rent:

4. LESSEE agrees to pay LESSOR the monthly rental stated in the Rider covering said cars from the date of this Agreement as specified in the Rider, and until the cars are returned to LESSOR upon expiration of the rental term specified in the Rider applicable to each car. Such rentals shall be paid to LESSOR in Victoria, Texas, or such other place as LESSOR may hereinafter direct in writing.

The initial rental payment shall include prorated rental due as a result of the delivery of any of the cars in the prior month.

Rentals are payable within ten (10) days from the date of invoice, monthly in advance.

Car Hire:

5. Any per diem or mileage allowance, car hire rental, and/or other compensation paid by reason of off-line use of any car directly to the LESSEE shall be retained by LESSEE as compensation for its interest in such car.

Term of
Lease:

6. This Agreement shall be effective as of the date first set forth hereinabove, and shall expire December 31, 1991, or upon return of the last car, or cars, covered hereunder, to LESSEE, whichever is later. The rental term for each car shall be shown in the Rider covering such car. Unless this contract is extended or renewed in writing by mutual agreement, or a new contract is executed,

each car not returned to LESSOR within fifteen (15) days next following the expiration date shown on the Rider covering such car or cars, LESSEE shall pay to LESSOR a penalty charge of TEN AND NO/100 DOLLARS, (\$10.00), per day, in addition to the monthly rental.

Repair and
Maintenance:

7. During the term hereof, the LESSEE, at its own cost and expense, will perform, or cause to be performed, such maintenance and repairs of the cars as is necessary to insure that each car, while it is in service (whether or not loaded) on any date during the Lease Term, is in the condition required by the then prevailing applicable rules of the Association of American Railroads and Federal Railway Administration or successor entities or any other agency having jurisdiction over the operation or use of the cars (the "Regulators") for railcars operating on the lines of Class 1 railroads. Nothing herein relieves the LESSEE of its obligations to pay the rent for each car or to return each car to LESSOR at the time and in the condition required by this Lease.

Destruction
of Car:

8. In the event of the loss, destruction, or damage beyond repair of any car, or the condemnation or taking of any car for a period exceeding the balance of the Lease Term, this Agreement with respect to such car shall continue until LESSEE notifies LESSOR of such occurrence and pays to LESSOR, on the next rental

payment date following such notice, the stipulated loss value set forth in the attached Exhibit C of such car as of such rental payment date. Replacement or substitution of a similar car in lieu of payment by LESSEE of the stipulated loss value shall not be permitted unless agreed to in writing by LESSEE and LESSOR. Stipulated loss value payment will apply whether the loss or destruction of the car occurs on or off LESSEE'S lines; provided that if LESSEE shall receive from a common carrier, in settlement for the loss, damage or destruction of such car while in such carrier's possession, a sum in excess of such stipulated loss value, such excess shall be paid promptly to LESSOR. LESSOR shall be entitled to recover possession of each such destroyed car, but upon LESSOR'S request, LESSEE shall dispose of such car at LESSEE'S expense.

Indemnity:

9. LESSEE will indemnify LESSOR against any loss, damage, claim, expense (including attorney's fees and expenses of litigation) or injury imposed on, incurred by, or asserted against LESSOR arising, directly out of LESSEE'S, its consignee's agents, or shipper's use, lease, possession or operation of the cars during the term of the Lease, or by the contents of such cars, however occurring, except any loss, liability, claim, damage or expense for which a railroad or railroads have assumed full responsibility

and satisfy such responsibility. All indemnities contained in the Agreement shall survive the termination hereof, however same shall occur. Nothing herein shall be construed as an indemnification against LESSOR'S negligence.

Insurance:

10. The LESSEE will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained in respect to each car, with insurers reasonably agreeable to LESSOR, under policies not subject to cancellation or material change in coverage except upon 30 days prior written notice to LESSOR and which insure LESSOR regardless of any breach or violation of any warranty, declaration or condition contained in such policy, or the policy application or other supporting documents, by LESSEE or any third party: (i) property insurance in respect to the cars at the time subject hereto, in amounts sufficient to fund the individual and aggregate stipulated loss value of the cars subject to this Lease from time to time and shall name LESSOR as additional insured and loss payee and, (ii) public liability insurance in such amounts and for such risks and subject to such self-insurance as is consistent with prudent industry practice, and in any event, in amounts and against risks no less favorable than the coverage provided by insurance carried by the LESSEE on similar

equipment owned or leased by it; provided that LESSEE shall in any event maintain such public liability coverage in the amount of \$10,000,000.00 per occurrence, with any deductibles paid by LESSEE, and shall name LESSOR as an additional insured thereunder. Not later than each anniversary date of this Lease, LESSEE will furnish LESSOR with an insurance broker's certificate evidencing such coverage for the 12 months following such anniversary date.

Renewal
Option:

11. Not later than one hundred twenty (120) days prior to the termination of this Lease, or subsequent renewals, LESSEE may, by written notice to LESSOR, irrevocably exercise an option to renew this Lease for three (3) each one (1) year periods, subject to the same terms and conditions herein contained in the original text of this Lease. After the third renewal, this Lease will be subject to renegotiation.

Right of
Inspection:

12. LESSOR or its assignee shall have the right, at any reasonable time, and without unreasonably interfering with LESSEE'S operations, to inspect the cars and LESSEE'S books and records with respect to the cars, by its authorized representative, for the purpose of determining compliance by LESSEE with its obligations hereunder or in connection with the sale or release of the cars.

Taxes and
Other Charges:

13. LESSEE shall pay and indemnify and hold LESSOR harmless from all:

(a) taxes including, without limitation, any taxes (withholding or otherwise), including personal property taxes imposed by the United States, Canada, or Mexico, or any state or province thereof or any governmental or administrative subdivision thereof, and any sales and/or use taxes, gross receipts, franchise, and single business taxes, and

(b) license fees, assessments, charges, fines, levies, imposts, duties, tariffs, customs, switching, and demurrage, including penalties and interest thereon, levied or imposed by any foreign, federal, state, or local government or taxing authority, railroad or other agency, upon, or imposed upon or with respect to, either the cars or LESSOR in connection with the cars or this Agreement. LESSEE has the right, however, to protest all such taxes or other charges that it feels are improperly or unfairly assessed.

Notwithstanding the provisions of the preceeding paragraph, LESSOR is solely responsible for the payment of all income taxes assessed against it for any rental payments or other income received under this Agreement.

Liens:

14. LESSEE shall not cause any encumbrances or liens to be a cloud upon or otherwise affect LESSOR'S title.

Marking
of Cars:

15. Prior to any use thereof, LESSOR shall at its sole expense mark and number the cars with the marks and numbers set forth in Exhibit A hereto. Upon the expiration or earlier termination of this Lease, LESSEE will remark and renumber the cars as directed by LESSOR. At all times during the Lease Term, LESSEE will maintain upon each side of each car a plate or stencil printed in contrasting color in letters not less than one inch in height stating: "Owned by ITG, INC. and subject to a Lease Agreement filed with the Interstate Commerce Commission." The LESSEE will not change the mark or number of any car during the Lease Term except with the prior written consent of LESSOR and in accordance with a statement of new marks and numbers to be substituted therefor which shall have been delivered to LESSOR and shall be filed and recorded with the Interstate Commerce Commission and any other public offices reasonably designated by LESSOR.

Default:

16. If LESSEE shall fail to perform any of its obligations hereunder, and should such failure continue, in the case of any obligation to pay rental or stipulated loss value, for a period of five (5) days after the due date thereof, and otherwise for a period of thirty (30) days after written notice from LESSOR thereof, or LESSEE shall make any representation in connection with this Lease which shall be materially incorrect, or there is made by or against LESSEE any filing required

or permitted under any bankruptcy or insolvency law, or in the event LESSEE makes any general assignment for the benefit of its creditors, or if LESSEE is involved in any similar legal process, LESSOR may terminate this Lease immediately, and, at its option, LESSOR or its representatives may repossess the cars and take any and all actions permitted to LESSOR at law or in equity, and whether or not LESSOR exercises any such rights, LESSEE agrees to store, if necessary, and return the cars to LESSOR in accordance with paragraph 2(c) hereof, and to pay all of LESSOR'S reasonable expenses of restoring the cars to the return conditions provided in this Lease, if any, plus legal fees and costs incurred by LESSOR in connection therewith, if any, and further, LESSEE agrees to pay LESSOR the then present value of the entire remaining balance of the rental set forth in this Lease (discounted at a rate equal to Citibank Base Rate), less all sums paid to LESSOR (or to be paid to LESSOR adjusted to its present value at said discount rate) pursuant to the exercise of the obligations of LESSOR to mitigate its damages.

Filing:

17. LESSOR intends to cause this Lease to be filed and recorded with the ICC in accordance with Section 20(c) of the Interstate Commerce Commission Act. LESSEE shall from time to time do and perform any other act, and execute, acknowledge, deliver, file, register, and record any and all further

instruments required by law, or requested by LESSOR, for the purpose of protecting its title and rights, or for the purpose of carrying out the intention of this Agreement, and LESSEE will promptly furnish to LESSOR certificates or other evidences of all such filing, registering, and recording in form satisfactory to LESSOR.

Miscellaneous: 18. It is mutually agreed that the time of payment of rentals is of the essence of this Agreement and that this Agreement and any Rider now and hereafter entered into is subject and subordinate to any Security Agreement or Conditional Sale Agreement on the cars heretofore or hereafter established by LESSOR.

Notice: 19. All notices provided for herein shall be given in writing and delivered personally or sent by registered or certified mail, return receipt requested. The effective date of the notice shall be the date personally delivered, or date of delivery shown on the return receipt. The respective addresses for notice shall be the addresses of the parties given in writing at the execution of this Agreement. Such addresses may be changed by either party giving written notice thereof to the other.

To LESSOR: I T G, INC.
106 N. Main St.
P. O. Box 1777
Victoria, Texas 77901

To LESSEE: Iowa Interstate Railroad Company
818 Church St.
Evanston, Illinois 60201

**Required Car
Modifications:**

20. Should any car require future modifications or additions by the Regulators (AAR or FRA), LESSEE shall be responsible for such modifications or additions at its own expense. Rental will continue to be payable while modifications or additions are made and any parts or items added, whether as replacements or additions, to the cars by the LESSEE shall be considered accessions to the cars and title thereto shall be immediately vested in the LESSOR at no cost or expense to the LESSOR, and shall remain on and not be removed from the cars upon the return thereof.

**Governing
Law:**

21. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the States of Texas, in which state it has been executed and delivered.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed and sealed by their respective corporate officers and duly attested, as to the date first above written.

(Corporate Seal)

I T G, INC. (LESSOR)

ATTEST:

By: Concepcion S. L. Davis
Its: Secretary

By: Michael S. Sigel
Its: President

ADDRESS:

P. O. Box 1777
Victoria, Texas 77902

(Corporate Seal)

IOWA INTERSTATE RAILROAD CO., LTD.
(LESSEE)

ATTEST:

By: Harold A. Apple
Its: Secretary

By: Paul H. Bauer
Its: Pres

ADDRESS:

818 Church St.
Evanston, Illinois 60201

STATE OF TEXAS

CITY OF VICTORIA

On this 17th day of October, 1988, before me personally appeared MICHAEL SAGEBIEL, to me personally known, who being by me duly sworn, says that he is the President of I T G, INC., that the foregoing instrument was signed on behalf of said corporation, and he acknowledged that the execution of said instrument was his free act and deed.

Cynthia Palacios
NOTARY PUBLIC, STATE OF TEXAS
Cynthia Palacios

My commission expires: 07/17/89

STATE OF Iowa
COUNTY OF Cock

On this 3rd day of November, 19 88, before me personally appeared Paul H. Brannen, to me personally known, who being by me duly sworn, says that he is Chairman of IOWA INTERSTATE RAILROAD CO., that the foregoing instrument was signed on behalf of said corporation, and he acknowledged that the execution of the said instrument was his free act and deed.

Marilyn K. H.
NOTARY PUBLIC

My commission expires: 10/3/89

